Key Strategic Coverage Decision Trends for 2025

F. Randy Vogenberg, PhD, FASHP[1,2]

Whether they have self-funded or fully funded insurance plans, employers have already made their coverage and policy decisions for 2025. They are focused on member enrollment and the roll out of their medical and pharmacy benefit plans, including reimbursement or benefit management considerations.

Health care coverage decisions post pandemic continue to change as employers respond to economic pressures or shifting competitive issues in the marketplace. Those decisions can influence—both indirectly and directly—general or specific coverage policy provisions for their covered population.

Employers establish their own population-based financial risk trends for perceived coverage needs over a multi-year time period. Using insurance of different types is a central strategy for addressing risk, which is led by the chief financial officer within the "C-suite" of executives.

The purpose of this article is to identify the following key 2024 trends that have influenced employer benefit decision-making in the US that will continue through 2025 and beyond.

PRECISION MEDICINE

Precision medicine is part of a rapidly growing cohort of over several hundred advanced therapies, with research investments exceeding a compounded annual growth rate of 26%.[1] As a significant clinical trend, its emergence in the field and standardization in the literature was driven by key federal medical agencies. Its importance on individual patient outcomes of care has also been noted by experts.[2]

WHOLE PERSON HEALTH

This trend has both a clinical and total cost of care component. Clinically, this is akin to holistic care that involves treating the "whole" person by looking at prevention strategies and biological, behavioral, social, and environmental factors to improve overall wellness instead of just focusing on an illness or diagnosis.[3] Financially, this means not being focused on diagnostic billing codes alone, which is beneficial for the plan sponsor and patient. Through various initiatives, employers are supporting whole person health to address the ever-growing total costs of health care that also impact their plan members, including premiums, deductibles, coinsurance, and various service fees.[4]

Such an approach can also be beneficial for health care providers. Current payment models in the US health care system are neither sustainable nor desirable. Expenses outpace revenue for most health care providers, while patients experience rising out-of-pocket costs contrasted with inadequate health outcomes.[5]

The short- and long-term effects of this type of care will be significant for employers as they seek to meet the individual needs of their multi-generational workforce into the future. One result is a greater need for care pathways, whole person journey maps, and other plan management tools.

BIOSIMILAR AND OTHER BIOLOGIC THERAPIES

Biosimilars and other biologic interchangeable therapies that had struggled over the last 15 years are gaining traction. Estimates are that short-term medicine spending will grow between 6%-9% on a list price basis and 4%-7% after discounts and rebates. As consumer pressure on drug pricing matters escalated, list price increases slowed to 4.9% in 2023 and are expected to average 1%-4% per year through 2028, including with the effects of the Inflation Reduction Act. Net price growth is likely to continue to see declines as the structural drivers of low net price growth, such as biosimilars, are expected to remain in effect. A slow of growth could be amplified by expected legislation and increased competition in categories with new launches and/or upcoming biosimilar expansion for conditions like diabetes, immunology, and oncology later in the short-term.[6]

RISING CLAIM COSTS AND TRANSPARENCY

Previous views from 2021-2022 on US health care trends, including cost and transparency issues, noted post-pandemic health care services and claim costs.[7] The worst-case scenario occurred, but it was tamped down through federal grants or loan support. Now, insurance costs are continuing the upward trend into double digits.[8]

As indicated in the biosimilars theme mentioned earlier, differences in list versus actual price post discount or rebate can be significant for the employer plan sponsor. For instance, trends in glucagon-like peptide 1 (GLP-1) agonists' shifting claim costs and transparency dynamics are a harbinger for rare disease immunologics or cell and gene therapies. Medical trend and claim costs rose dramatically as additional indications became approved by the US Food and Drug Administration (FDA) for pharmacy benefit category of GLP-1 products. The rapid rise in claim volume and member utilization occurred after insurance planning happened and led to overwhelming financial

AFFILIATION: [1]Principal, Institute for Integrated Healthcare, Greenville, SC; [2]Board Chair, Employer–Provider Council, Greenville, SC.
DISCLOSURE: F.R.V. reported serving as an advisory board member for the *Journal of Clinical Pathways*..
CITATION: *J Clin Pathways.* 2024;10(5):43-45.

strain in nearly all employer plans. In addition, the rise in unit costs for rare disease advanced therapies for treated members are low due to the population with that condition. However, as these biologic-based products gain FDA indications, the same financial implications will occur for these therapies for plan sponsors as seen with GLP-1.

CONSUMERISM

With this new era of benefits, consumer engagement has moved from the expectation of simple transparency to value-based and optimal care. As a result, employers place emphasis on personalization and empathy to provide diverse solutions to a multigenerational workforce that has different priorities and/or expectations.[9] They can focus on delivering benefits that motivate and engage rather than just expanding an offering. Investments to boost productivity and reduce the occurrence of costly health conditions has become the model known as whole-person health. However, health plan cost and data transparency continue to be priorities to avoid shifting costs to plan members.

EMPLOYER PLAN EVALUATION AND OVERSIGHT

Employers are under scrutiny for the performance and overall management of their plans. Multiple federal lawsuits and state lawsuits by Medicaid contractors or commercial insurance vendors have affected self-insured employer plan sponsors. These suits have focused on plan performance from a contractual and financial basis, which is the underpinning of US health care.

The downsides of employer-provided health insurance include increasingly outsourced services and a lack of flexibility for plan members. In addition, the employer carries most of the financial risk in providing a plan, and lower income members may have difficulties in paying for medical claims, even with shared cost requirements. When a vendor/provider fails to deliver on anticipated or perceived benefits in a group coverage plan, it can be as surprising to the employer as the plan member.[10]

Employers that choose to self-fund the plan's financial risk incur a fiduciary responsibility that includes carrying out their duties prudently, paying only reasonable plan expenses (claims), and following plan coverage documents (summary plan documents). Fiduciaries ordinarily include plan administrators, trustees and investment managers; individuals exercising discretion in the administration of the plan; and members of a plan's administrative committee (if applicable) and those who select committee officials. Attorneys, accountants, and actuaries generally are not fiduciaries when acting solely in their professional capacities. Similarly, a third-party administrator (TPA) or pharmacy benefit manager (PBM), recordkeeper, or utilization reviewer who performs solely ministerial tasks is not a fiduciary; however, that may change if the entity exercises discretion in making decisions regarding a participant's eligibility for benefits.[11]

CORPORATIZATION OF HEALTH CARE

Merger and acquisitions, private equity investments, and vertical integration that can increase cost of care, limit optimal care, or create an unfriendly community environment for existing or new workforce personnel and their families continue to be a challenge for employer plans. Vertical integration in health care is a related trend where organizations acquire or merge with other organizations that offer different levels of care, services, or functions. This can include hospitals acquiring physician practices, insurers, pharmacies, and other ancillary medical services.[12]

More recent vertical integration involves the combination of companies across the health care value chain, such as health insurance companies, retail and mail-order pharmacies, PBMs, and others. Providers and organizations that provide timely care can increase total care costs but experience significant losses in operations or worker productivity, which negatively impacts bottom line results. Better alignment of corporate health care, including nonprofit entities, will require transparency and accountability to construct an employer-centric health care system that delivers predictable, effective, and efficient commercial benefit plan services.[13]

SUMMARY AND CONCLUSION

Health care has always had a complex market dynamic but shifts or changes have traditionally occurred on an incremental basis. That slower rate of change has allowed for different iterations of health care coverage, delivery systems, and reimbursement for traditional non-biologic based drug therapies.

The faster pace of care system changes post-pandemic coupled with the rapid pace of therapy technology advances are creating the need for different solutions in care delivery as well as insurance. Benefit coverage policies and payment structures from the last century are not working effectively or efficiently in this century. This is evidenced by the continued calls for reform, innovation, and policy changes over the last two decades of elections.

The solutions need to be rooted in fundamental investment changes that can quickly impact, scale, and be sustainable over time. This includes addressing the insurance risk, advanced therapies to come, and the continued desire for optimal outcomes based more around precision medicine. While we remain in the early stages for such solutions, there are some sound beginnings that need to be more rapidly developed, piloted, and implemented versus continuing investments in antiquated products.

Reader questions, feedback, and suggestions are always welcome and can be directed to JCPEditors@hmpglobal.com. ◆

REFERENCES

1. Global cell and gene therapy markets report 2024-2028 featuring main players - Mallinckrodt, Vericel, Gilead Sciences, Pharmicell, and Bristol-Myers Squibb. Yahoo Finance. April 3, 2024. Accessed July 23, 2024. https://finance.yahoo.com/news/global-cell-gene-therapy-markets-071000561.html?guccounter=1
2. Vogenberg FR, Barash CI, Pursel M. Personalized medicine: part 1: evolution and development into theranostics. *PT*. 2010;35(10):560-576.PMC2957753

3. Assessing the whole person as part of care. The University of Texas at Arlington. March 15, 2022. Accessed July 30, 2024. https://academicpartnerships.uta.edu/healthcare-nursing-online-programs/rn-to-bsn/assessing-the-whole-person-as-part-of-care
4. Whole person health. National Alliance of Healthcare Purchaser Coalitions. Accessed July 30, 2024. https://www.nationalalliancehealth.org/what-we-do/whole-person-health/#
5. Hecht M, Marzolf J, Castle RD. Financing whole-person health. *Glob Adv Health Med*. 2022;11:21649561211062511. doi:10.1177/21649561211062511
6. The use of medicines in the U.S. 2024: usage and spending trends and outlook to 2028. IQVIA. May 7, 2024. Accessed July 23, 2024. https://www.iqvia.com/insights/the-iqvia-institute/reports-and-publications/reports/the-use-of-medicines-in-the-us-2024
7. Vogenberg FR, Santilli J. Global issues driving US healthcare trends in 2021 and 2022. American Health & Drug Benefits. Accessed July 23, 2024. https://www.ahdbonline.com/web-exclusives/global-issues-driving-us-healthcare-trends-in-2021-and-2022
8. CalPERS announces health plan premiums for 2025 along with expanded cost-saving options for members. CalPERS. July 16, 2024. Accessed July 23, 2024. https://www.calpers.ca.gov/page/newsroom/calpers-news/2024/calpers-announces-2025-health-plan-premiums-and-expanded-cost-saving-options-for-members
9. Employee health & benefits trends: the evolving workforce. Marsh McLennan Agency. Accessed July 30, 2424. https://www.marshmma.com/us/insights/details/employee-health-and-benefits-trends.html
10. Walker E. Pros and cons of group health insurance. PeopleKeep. May 10, 2024. Accessed July 23, 2024. https://www.peoplekeep.com/blog/pros-and-cons-of-group-health-insurance
11. Meeting your fiduciary responsibilities. US Department of Labor, Employee Benefits Security Administration. September 2021. Accessed July 30, 2024. https://www.dol.gov/sites/dolgov/files/EBSA/about-ebsa/our-activities/resource-center/publications/meeting-your-fiduciary-responsibilities.pdf
12. Vertical integration and the transformation of american medicine. Weill Cornell Medicine population health sciences. March 11, 2024. Accessed July 30, 2024. https://phs.weill.cornell.edu/news/vertical-integration-and-transformation-american-medicine
13. Pharmaceutical & health care supply chain vertical integration. dataex. 2018. Accessed July 30, 2024. https://www.datexcorp.com/5-factors-impacting-pharmaceutical-healthcare-industry-transformation